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Vera Palea, University of Torino
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GOING GLOBAL IN ACADEMIA: INTERNATIONAL RANKING SYSTEMS AND THEIR IMPLICATION FOR ECONOMIC RESEARCH VARIETY

Vera Palea, University of Torino

Department of Economics and Statistics “Cognetti de Martiis”

Abstract

There is nowadays a growing sense of unease about the current state and the direction of financial academic research. A number of critical studies have highlighted the failure of academia in anticipating the recent financial crisis and criticizing economic models used by financial market practitioners. Too much intellectual inquiry has operated within the parameters set by academic practice rather than questioning and challenging them.

This paper argues that the current state of research is strictly linked to the adoption of international journal ranking lists as university management tools, which has led to a hegemony of the U.S. elite in research. Affected by a genuine ethnocentrism, U.S. research is very much capital market-oriented and optimized for liberal stock market economies, while completely ignoring different approaches and critical studies.

The strength of economics and, more generally, social sciences instead lies in their rich, reflexive research analyses, carried out within their specific contexts, so essential to the social and economic advancement of society. Knowledge would therefore be better served by alternative research agendas tailored to the needs of different forms of capitalism. It is at times of great uncertainty and changes, such as the ones in which we are living, that advantages of variety in research can be appreciated.

According to this view, this paper focuses on the European Union and presents a view of research that is strongly embedded in the EU constitutional framework and its ideal of social market economy.

KEYWORDS: Academic Research, Journal Ratings, Varieties of Capitalism, European Union

JEL CLASSIFICATION: G01, G10, P00, K00

About the Author

Vera Palea is tenured Researcher and Adjunct Professor in Financial Reporting and Analysis at the University of Torino. Her research focuses on financial regulation in the European Union. She has published several articles on the adoption of International Financial Reporting Standards by banks and the role of fair value reporting in the recent financial market crisis. She has widely investigated these issues in the light of the Lisbon Treaty. She holds a Ph.D. in Finance from Bocconi University.

Contact Information

Vera Palea, University of Torino, Department of Economics and Statistics “Cognetti de Martiis”, Campus Luigi Einaudi, Lungo Dora Siena 100/A, 10100 Torino, Italy. E-mail: vera.palea@unito.it

"The principal objective for social science with a phronetic approach is to carry out analyses and interpretation of the status of values and interests in society aimed at social commentary and social action, i.e. praxis". (Bent Flyvbjerg, 2001, p. 60)

1. Introduction

There is nowadays a growing sense of unease about the current state and the direction of financial academic research. A number of critical studies have highlighted the failure of the academia in anticipating the recent financial crisis and criticizing economic models used by financial market practitioners (e.g. Arnold, 2009; Gendron, 2015; Hopwood, 2009). As noted by Hopwood (2009), the apparent failure of the academia to identify any of the emerging banking crises has pointed to the rather limited focus of much current research. Too much intellectual inquiry operates within the parameters set by current academic practice rather than questioning and challenging them.

Indeed, financial research has so far remained tightly bound to neoclassical economics, which focuses on capital markets, information asymmetry, and market efficiency. Consistent with this view, mainstream research has mainly focused on capital, leaving little scope for considering other issues, including the linkages between financial economics and the macroeconomic and socio-political environment in which it operates (e.g. Arnold, 2009; Bezemer, 2010; Palea, 2015; Sikka, 2015). Very little efforts have been made to understand financial issues involved in the recent economic and financial crisis and the result is a growing sense of superficiality and stagnation in the research agenda (e.g. Arnold, 2009; Gendron, 2008; Hopwood, 2007; Khalifa and Quattrone, 2008; Pelger and Grottko, 2015; Wilkinson and Durden, 2015; Williams et al., 2006). Sadly, this problem is specific not only to economic research but to social sciences more generally (e.g. Flyvbjerg, 2001).

This paper argues that the academia's failure to address issues relevant to society has much to do with institutional incentives faced by academic scholars in their careers, including tenure, promotion and research grants based on international journal ranking lists, which encourage academics to over-focus on "hits" in allegedly high-quality journals for their own sake rather than addressing important issues of concern to our wider society. In fact, the growing influence of journal ranking systems over academia has led to a hegemony of the United States (also "U.S." hereafter) elite in economic research. Affected by a genuine ethnocentrism, U.S. research is very much capital market-oriented and optimized for liberal stock market economies, while completely ignoring different approaches and critical studies (Arnold, 2009).

The increasing role of international journal ranking lists in managing career progression and research funding has induced fundamental changes in the way of doing research, which bears potential relevant disruptive effects on society. Such dramatic consequences, however, have not been entirely understood or fully appreciated yet.

Furthermore, in recent years economic research has increasingly been willing to emulate the natural sciences. Economics, however, is not a neutral and objective science. It is rather a powerful calculative practice that is strongly embedded in an institutional context and shapes social and economic processes through massive transfer of wealth (e.g. Palea, 2015; Sikka, 2009, 2015). Considering economics independently of its social context is therefore inadequate. Stock market based-capitalism, for instance, does not represent the only way of doing business. Standardizing research onto a single economic model, moreover accommodated to the needs of liberal stock market economies, is not neutral and can harm alternative forms of capitalism.

This paper contends that the strength of economics and, more generally, social sciences lies in their rich, reflexive research analyses, carried out within their specific contexts – so essential to the social and economic development of society. It focuses on the European Union (also “EU” hereafter) and presents a view of economic research that is embedded in the EU constitutional framework provided by the Lisbon Treaty (also “Treaty” hereafter). According to the Treaty, the European Union shall work for sustainable development based on a highly competitive social market economy aiming at full employment and social progress. Social market economy represents the economic and social model on which the European Union has decided to build and shape its own future, and proves that there exists more than one way of doing business.

The U.S. mainstream approach to research is very focused on liberal stock market economies, thereby it does not necessarily fit for all kind of societies. Knowledge would therefore be better served by alternative research agendas tailored to the needs of different economic models. It is at times of great uncertainty and changes, such as those in which we are living, that advantages of variety in research can be appreciated. Accordingly, the optimal design of research should depend on the specific institutional characteristics of the economic and political systems.

As Einstein (1949) points out, “science can only ascertain what is, but not what should be, and outside of its scope are needed value judgments of all kinds”. Indeed, “science cannot create ends and, even less, instill them in human beings; science, at most, can supply the means by which to attain certain ends. But the ends themselves

are conceived by personalities with lofty ethical ideals". Accordingly, social science research should be directed toward a social-ethical end, which can be identified, for the European Union, with its objectives set out by the Lisbon Treaty. It is also the responsibility of academia not to let the highly progressive principles of the EU become empty phrases.

Moving from this perspective, this paper makes some proposals for a new research agenda dealing with the core principles of the European Union. It also suggests some corrective actions that could bring academics back on the track of more innovative and influential research able to cope with issues relevant to the advancement of the European society. The very hope is that, if research has so far failed to develop the capability to analyze and interpret the crisis along with the relationship between financial issues and its macro environment, this is just because it has not got its bearings yet.

2. The wider context: journal rankings and mindless measures

Context is central to understanding the causes that have led to research stagnation in academia and to identify the remedies to fix it.

From the late 1990s onwards, the university systems in the European Union have experienced significant changes in their environment, structure, strategies and processes. This trend was partly triggered by the standardization of higher education at a European level in the spirit of the Bologna Reform¹, which aimed at creating a European higher education area (EHEA) able to ensure more comparable, compatible and coherent education systems in Europe (Pelger and Grottke, 2015). Increased compatibility between education systems was expected to make it easier for students and job seekers to move within Europe.

At the same time, the Bologna reform aimed at making European universities more competitive and attractive to the rest of the world. Standardization, competition and internationalization therefore became keywords affecting academic life in most parts of the Europe. Consistent with this trend, new public management techniques and rankings entered academia, with initiatives specifically aimed at strengthening international orientation and competitiveness (Pelger and Grottke, 2015). In many countries, the request for more efficiency and quality of academics was also driven by the widespread view among politicians that universities were not managed efficiently, especially when compared to other countries, notably the United States.

¹ The Bologna reform is based on a joint declaration of the European Ministers of Education, which was signed in Bologna in June 1999 (<http://www.bmbf.de/en/15553.php>).

With such increased institutional focus on competitiveness and internationalization, incentive mechanisms and rankings in assessing researchers' performance were adopted as important university management tools. Such changes in the university management have been particularly dramatic in the Continental European Union, where education and research was strongly embedded in local context and traditions. Many countries in Continental Europe did not have well-established experience and tradition in this field, so they considered adopting the best practices from the English-speaking world in terms of how research should be conducted and what should count as good research. The global financial crisis and the profound economic recession that followed resulted in diminished public funding for universities, further pushing to consider the English-speaking university system as an example for its ability to raise cash and attract private funds through business schools. As a result, recent decades have seen an increasingly structured and standardized approach to university management, which in key dimensions resembles the Anglo-American system (Messner, 2015).

Accordingly, ranking systems entered the academia. In Italy, for instance, a research quality assessment started in 2011 that concerned about 12,000 research products in the field of Economics and Statistics, 60% of which were journal articles. This exercise made wide use of proxy measures of quality such as journal rating lists and citation metrics (ANVUR, 2013). Ranking systems have then shifted in many universities from being for institutions' assessment only to individual academic's recruiting and career progression. Advancement of academic career has also become more and more related to research activity and achievement rather than to teaching ability and service. An example of this trend is the application form to submit to award the national scientific qualification as associate and full professor in Italy, which has sections devoted to research activities but not to teaching. In addition, according to law, the Commission bestows the qualification based on analytical evaluation of the qualifications held and of the scientific publications, which are ranked on the basis of journal rating lists (Italian Ministerial Decree 222/2012).

Research quality assessment based on journal ratings is grounded in the idea that good research is published in high quality journals (Libby, 2012). All professions and organizations, of course, use metrics and benchmarks to assess their progress. The very concept of measurement became central to the ascendancy of scientific methods during the Enlightenment and, for this reason, it has been viewed as a primary contributor to human knowledge for centuries.

From a pragmatic angle, rankings constitute a compelling mechanism. They provide, in a snapshot, a reasonably “credible” judgement on the quality of individual academics. Gendron (2015) suggests that rankings are essential tools for funding agencies, especially in interdisciplinary fields such as social sciences and humanities, where committees are often required to assess the record of research achievement of people from different fields, or where there is a huge amount of material to go through within a reasonable time frame. Therefore, it is reasonable to maintain that in the broader field of social science and humanities some sort of ranking gives the measure of one’s productivity. The key issue, however, is how rankings are built.

This paper questions the way international rankings have so far been built and highlights the potentially disruptive effects that the current official lists of allegedly high-quality journals exert on the way of doing research in Europe. As a matter of fact, the most influential journal ranking lists are not produced by academics but by big corporations such as Thomson Reuters, in the case of the *Journal Citation Reports* of ISI Web of Knowledge, or Reed Elsevier, in the case of *Scopus*. Thomson Reuters is a public company listed on the Toronto and New York stock exchange (NYSE), while Reed Elsevier is listed on the United Kingdom (UK), the Netherlands and the New York stock exchanges. Evaluations on including journals in these lists are up to the Thomson Reuter and Elsevier’s staff and journals rankings are based on different citation metrics (see “The Thomson Reuters Journal Selection Process”).

The Appendix reports as an example the list of top ranking journals (i.e. in the first quartile) in financial reporting research according both to Scopus and ISI Web of Knowledge along with the name of the universities the editorial board members come from. The lists are not the same and apparently are quite subjective. The complete list of journals ranked by Web of Knowledge, for instance, is much shorter and does not include excellent, yet critical journals². Moreover, all the elite accounting journals are published in English and, with the exception of *Accounting, Organization and Society*, are dominated by the U.S. research community and its particular definition of scientific rigor. The journals’ board composition suggests an institutional domination of a few U.S. elite universities that, by means of journal ranking lists, can control and reproduce their social order in academia.

Over time, academics in most part of the European Union have increasingly been evaluated through these quantitative procedures. European Universities have, in substance, delegated academic research quality assessment and career progression to private companies over which they do not have any kind of control. The pressures

²Paramount with this respect is the case of *Critical Perspectives on Accounting*, which ranks A in Scopus in the field of sociology and political sciences, but to date is not listed in ISI Web of Science.

generated by such rankings and evaluations have been very significant, especially for business schools and some university departments of business studies willing to achieve international recognition. Many European institutions have started offering salary increments for publications in top journals (Hopwood, 2008). Some have instituted annual competitions and prizes with similar rationale and keep under review their internal listing of good publication outlets, even though these are American in origin and relate poorly to the European context. As a result, while previously European research genuinely prided itself on its tolerance and different research perspectives, differences have been narrowing onto research standardization. As a result, what was a polycentric research environment has been taking on the characteristics of a monocentric one (Hopwood, 2008).

The proliferation of journal ratings for research quality assessment has strongly affected the research agenda of European academics, increasing the focus on performing in terms of well-defined criteria and fostering activity that provides short-term pay-offs (Gendron, 2008, 2015). Research topics are no longer chosen based on curiosity but, rather, on an examination of the issues that top journals deem to be worth pursuing (Pelger and Grottke, 2015). Journal ranking lists have been invested with such specious accuracy that has made them become almost an end in itself (Bonner et al., 2006; Lawrence, 2003).

3. Colonization of knowledge: the absence of dissent

The effects of international journal ranking lists on intellectual trajectories in doing research are considerable, especially for academia in the Continental EU. It is therefore incumbent to discuss whether such rankings are accomplishing what they are intended to accomplish (Adler and Harzing, 2009).

This paper highlights some important threats and disruptive effects that the current ranking system exerts on academic research in the EU. Specifically, it focuses on three main constraints on academia: short-termism, standardization onto the Anglo-American model and, as a result, a failure to address relevant issues of concern to the European society.

There is general agreement among critical scholars that the use of journal rankings for career promotion has made researchers inclined to take lower risk in terms of research endeavors, thereby lessening the degree of intellectual innovation in the field (e.g. Gendron, 2008; Hopwood, 2008; Humphrey and Lukka, 2010; Pelger and Grottke, 2015; Wilmott, 2011). Gendron (2015) refers to this attitude as “pay-off

mentality” to stress a quest for research productivity that impedes the development of research in diverse and more important ways.

Indeed, journal ranking has institutionalized a *“tendency to focus less on what academics actually have to say (content) than on where they say it (publication outlet) and who read it (citations)”* (Engwall, 2008, p. 20). Peter Lawrence (2008, p. 1) argues that, due to journal rankings as a career management tool, *“scientists have been forced to downgrade their primary aim from making discoveries to publishing as many papers as possible, and trying to work them into high impact-factor journals”*. As a result, research agendas have become very far from being highly personalized. Research has more and more been undertaken out of an economic self-interest to satisfy the promotion and tenure standards dictated by journal rankings, rather than addressing issues relevant to society (Adler and Harzing, 2009; Hopwood, 2008; Humphrey and Gendron, 2015; Lee, 1995; Messner, 2015; Pelger and Grottke, 2015; Shao and Shen, 2012).

Junior faculty, above all, pursue particular research programs on the basis of what is publishable in journals that are ranked as top quality, rather than out of personal interests, competence or social need. To be a good academic means publishing in A-listed journals, and junior faculty does whatever it takes to get published in those journals. Young scholars are encouraged to acquire knowledge only if it leads to particular publications in highly ranked academic journals. After all, producing conforming research is more likely to be rewarded in terms of career opportunities in a shorter term than engaging in more intellectually challenging research. This is a relevant issue, as young scholars represent the future of academia and their perceptions and actions will further impact the way research is done.

Along these lines, “gap-spotting” has become the most prevalent way of doing research. Gap-spotting consists of referring positively or mildly critically to earlier studies with the purpose of “extending literature”, to “address this gap in literature”, or to “fill this gap” (Alvesson and Sandberg, 2013). Johanson (2007) firmly advises authors to adhere to gap-spotting research because *“if you can’t make a convincing argument that you are filling an important gap in the literature, you will have a hard time establishing that you make a contribution to that literature”*. As a result, the disciplinary power of journal rankings largely prevents existing literature from being critically addressed. Ranking rewards conformity and discourages research diversity, compliance dominates, and academics and doctoral students are subjected to homogenizing forces. Elite journals, editors and reviewers from “elite” journals are the main professional norm setters for how research is conducted and what research is

published. They determine what is and what is not publishable, thus defining what knowledge is, but - in doing so - they also influence the careers of the researchers they publish and reject. The editorial boards basically set their agenda of what research is and scholars must comply to this if they wish to get their papers published (Lee, 1995). Accordingly, international journal ranking lists have become a sort of categorizing and disciplinary mechanism over the European academia (Foucault, 1977).

Elite journals focuses on a very limited set of issues and approaches. U.S. research is very focus on financial markets and thereby optimized for stock market-based capitalism. Furthermore, it is based on a positivistic approach to research, which represents a predominantly U.S. concept of “good research” (Arnold, 2009). Other approaches are rejected and social capital and cultural values of foreign experiences are not appreciated in numerous elite journals (Kim, 2009). Along the same lines, most of doctoral education in the Europe has conformed to the U.S. model, becoming more structured and methodologically oriented towards quantitative research published in highly ranked U.S. journals. Europe is now seen as no more than another sampling site, from which to test the applicability of gap-spotting hypotheses by utilizing standard, quantitative research methods applied in numerous prior studies (Komori, 2015). Quantitative research is a useful alternative to discursive study, not least because numbers save time and effort by not having to come up with the arguments to convince reviewers that the study is internationally relevant (Humphrey, 2008). Rather than focusing on the major issues in research for European society and adopting a critical approach, which should characterize academic inquiry, European researchers are mainly operating in ways that reflect and reinforce the U.S. approach by pursuing positivistic research.

By means of journal ranking lists, the U.S. academia is able to institutionalize its own perspective on what good research is within the international community. Top ranking journals nowadays provide a clear notion of what ways of doing research are deemed “acceptable” and represented as “successful” for European academics, too. Of course, standardized approaches and monocentric frameworks restrict the dissemination of knowledge and prevent from addressing issues that are relevant to different socio-cultural contexts. Furthermore, this trend in the European academia is at odd with the Bologna reform, which sets interculturality as an ultimate goal of the European Union. In the original idea of the European Union policy makers, internationalization of research was expected to increase the exchange of ideas across national borders and thereby foster pluralism. On the contrary, the forces that have framed the contemporary situation have given a very different social shape and

meaning to the pattern. Rather than encouraging innovation, the “fetishism of rankings”, with its focus on papers written in English and publishable in high-ranked U.S. journals, has advanced the institutionalization of U.S.-centric knowledge creation. Research now reflects, by means of journal ranking lists, some institutional form of long distance disciplinary control by American mainstream over knowledge creation within Europe, with important effects on society. Although internationalization might be expected to be continually creating new opportunities to enrich knowledge, research has paradoxically become increasingly homogenized and standardized in approach and topic. This is what Komori (2015) refers to as “*globalization paradox*” in research.

4. Can research really be neutral?

Many academics argue that positive research is neutral and does not interfere with the ability of data to speak for itself. Positive research is descriptive, explanatory or predictive, which should ensure it is value-free. It avoids making value-laden prescription. It simply describes how people do behave, regardless of whether it is “right”; it explains why people behave in a certain manner, for example to achieve some objectives such a maximizing share values or their personal wealth, regardless of whether it is “right”; or it predicts what people have done or will do, once again regardless of whether that is “right” or “best behavior” (Godfrey et al., 2010). Positive research is dismissive of normative viewpoints.

On the contrary, normative research prescribes how people should behave to achieve an outcome that is judged to be right, moral, just, or otherwise a “good” outcome. Normative research focuses on values, and takes the point of departure in the classic value-rational questions: Where are we going? Is it desirable? What should be done? (Flyvbjerg, 2001). Watts and Zimmerman (1978) argue that normative theories are inappropriate in scientific research because they are merely a cloak for furthering self-interest. But can research really be neutral?

Gramsci (1971) coined the term “organic intellectual” to say that knowledge is never neutral as it is acquired in a particular social context, and it reflects the political-economic structure and social relations that generate and reproduce that context. Any research is normative in nature, as it contains the researcher’s value judgement about how society should be organized. Concerns for private investors, for capital market agents, or for corporate management, typical of the U.S. mainstream, are themselves normative in nature, although not explicitly exposed (Cooper and Sheerer, 1984). Despite its alleged free-value approach, an implicit value of judgement is made in this research, that is, the needs of investors and managers are of primary importance.

Research plays a fundamental role in shaping economic and social processes. Paraphrasing Milton Friedman, economic models are an engine of inquiry, rather than a camera to reproduce empirical facts (MacKenzie, 2008). Financial economic theories, for instance, have been the cultural frame for the financialization of the economy (Fligstein and Markowitz, 1993). Modigliani and Miller (1958) looked at the corporation from the 'outside', i.e. from the perspective of the investors and financial markets, and considered corporate market maximization as the main priority of management. Accordingly, shareholder value maximization became a central feature of the corporate governance ideology, spreading across the whole private-sector (Froud et al., 2000; Lazonick and O'Sullivan, 2000). Agency theory (Jensen and Meckling, 1976) also provided an academic source of legitimacy for a greatly increased proportion of corporate executives' rewards in the form of stocks and stock options, with the specific purpose of aligning the interests of shareholders and managers. In this financial conception of the firm, corporate efficiency was redefined as the ability to maximize dividends and keep stock prices high (Fligstein, 1990).

There is no reason to think that financial economists saw themselves as acting politically in emphasizing shareholder value. Nonetheless, Van der Zwan (2014) notes that, for scholars in this body of work, shareholder value was not a neutral concept but an ideological construct that legitimized a far-reaching redistribution of wealth and power among shareholders, managers and workers. Stock market –based capitalism, however, does not represent the only way of doing business. Therefore, standardizing research onto a single economic model, moreover accommodated to the needs of liberal stock market economies, is not neutral and can harm alternative forms of capitalism.

In contrast with the mainstream approach to research, which pretends to be largely dismissive of normative viewpoints, making normative elements explicit would facilitate coherence in research and encourage researchers to better identify the purpose of their activities (Cooper and Sherer, 1984). Latour (2004) warns that by focusing on establishing facts, researchers contribute to a situation in which we confuse the “is” with the “ought” and mistakenly assume that the “is” is the only thing that can be. Although researchers should be careful when entering the realm of the normative, they should however orient their research towards issues that are relevant to society (Flyvbjerg, 2001; Miller and Rose, 1990).

5. The importance of dissent: values in social inquiry

Contrary to the common knee-jerk reaction that more rigor in theorizing and in methodological procedure will fix the problem (Donaldson et al., 2012), a major reason

for the paradoxical shortage of interesting research is the almost total lack of civil passion. Indeed, research published in both elite U.S. journals and those European ones seeking to join that elite has become increasingly formulaic and dull (Grey, 2010). Researchers have adopted over time a systematic, analytical, and often narrow focus, which makes them unable to ask more fundamental and skeptical questions that may encourage some significant rethinking of the subject under question (Alvesson and Sandberg, 2013). Mainstream research has become a scientific project itself, which preserves and reproduces some fundamental ideals while the multi-paradigmatic nature of social science is set aside (Burrell and Morgan, 1979; Delanty, 2005). The original passion for social justice, economic equality, human rights, sustainable environment, that have inspired so many researchers, is now under risk by academic journal rankings (Burawoy, 2005).

Hopwood (2008) argues that this is because in the current socio-political context, sociology and politics are seen as being potentially anti-business in approach and not reinforcing the individualist agenda that dominate so many business schools and other institutions. Anthropological, political and sociological approaches to financial reporting research are almost non-existent in the U.S., which makes publishing work outside the current mainstream extremely difficult. As a result, years pass with negligible gains in usable knowledge, and successive studies appear to explain less and less (Starbuck, 2006).

The current situation of perceived stagnation in research has also much to do with the failure of the European academia in developing its own specific model based on pluralism and diversity, consistent with the basic principle of the European Union, which conjugates diversity with unity. To be useful, research must be significantly related to the legal, institutional and socio-economic context. The conception of “usefulness” must encourage European researchers to concentrate on those aspects that fit in with the understanding of the European Union’s “uniqueness” and thereby develop novel research questions specific to that context. An alternative approach to research should therefore be adopted, which looks at economics within the broader institutional environment in which it operates and provides a more holistic framework for understanding the value of economics within the society.

Several economic areas are competence of the European Union: the commercial policy, the agricultural policy, the fishery policy, the transport policy, competition rules, along with rules governing the free movement of goods, persons, services and capital. Much of the regulatory environment in business is therefore governed by laws initiated by the EU. The European Union must legislate and adopt binding acts

necessary to pursue its objectives in these fields. The objectives of the European Union are set out by the Lisbon Treaty³, which provides the constitutional framework of the EU, clearly stating its inspiring values and founding principles. According to the Treaty (art. 3), the European Union must work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress. Furthermore, the European Union must combat social exclusion and discrimination, and promote social justice and protection.

As it is clear, the concept of a social market economy represents the guiding idea on which the European Union has decided to build and shape its own future. Social market economy is therefore the framework within which European policies must be defined and their outcomes discussed. The concept of social market economy also proves that there exists more than one way of doing business. It is common opinion that, in establishing the social market economy as a guiding principle for the European Union, the Lisbon Treaty looked to the Rhenish variety of capitalism⁴ (e.g. Glossner, 2014; Palea, 2015; Velo, 2014). The Rhenish model is typical of Germany and the Scandinavian countries, whose economies have been based on the consensual (for the most part) relationship between labour and capital, the supporting role of the state and the availability of patient capital provided by the bank system (Albert, 1993; Fiss and Zajac, 2004; Perry and Nölke, 2006). As highlighted by Hall and Soskice (2001), these characteristics have been crucial in developing long-term strategies, high skilled labour and quality products based on incremental innovation, which have been at the basis of post Second World War Germany's economic success.

In many countries in the Continental EU where a social market economy applies, shareholder wealth maximization has never been the only, or even the primary, goal of the board of directors. Workers play a prominent role and are regarded as important stakeholders in the firm. In Germany, for instance, firms are legally required to pursue the interest of parties beyond the shareholders through a system of co-determination in which employees and shareholders in large corporations sit together on the supervisory board of the company (Rieckers and Spindler, 2004; Schmidt, 2004). The inclusion of parties beyond shareholders is also a common concern in Austria, Denmark, Sweden,

³ The Lisbon Treaty was signed by the European Union member states on 13 December 2007, and came into force on 1 December 2009. It amends the two previous Treaties which constitute the basis of the European Union: the Maastricht Treaty, also known as the Treaty on the European Union, and the Rome Treaty establishing the European Community.

⁴ The "Rhenish" model refers to coordinated market economics, while the "Anglo-Saxon" model refers to liberal market economics (e.g. Albert, 1993; Hall and Soskice, 2001). These two models have been developed on the basis of western Europe and the US. For other capitalist economies, further models are of course necessary (Nölke and Vliegenthart, 2006).

France and Luxembourg, all of which require some kind of co-determination system (Ginglinger et al., 2009; Wymeersch, 1998). For this reason, it is common to refer to the Rhenish variety of capitalism also as “stakeholder capitalism”.

A social market economy seeks to combine market freedom with equitable social development (Müller-Armack 1966). Social market economics shares with classical market liberalism the firm conviction that markets represent the best way to allocate scarce resources efficiently, while it shares with socialism the concern that markets do not necessarily create equal societies (Marktanner, 2014). According to social market economics, a free market and private property are the most efficient means of economic coordination. However, since a free market does not always work properly, it should be monitored by public authorities that should act and intervene whenever the market provides negative outcomes for society. The social dimension is essential not only for society as a whole, but also for the market itself to work well. Market efficiency and social justice do not actually represent a contradiction in terms, as is proven by Germany’s post-World War II economic miracle (Pöttering, 2014; Spicka, 2007).

In a social market economy, public authorities set out and enforce the rules for the sake of general interest (Gil-Robles, 2014). Consistent with this view, the Lisbon Treaty contains a ‘social clause’ requiring the European Union, in conducting its policy, to observe the principle of equality of its citizens, who shall receive equal attention from its institutions, bodies, offices and agencies. Moreover, decisions shall be taken as openly and closely as possible to citizens (art. 15 TFEU⁵). This should prevent the European institutions from being influenced by special interest groups. Social dialogue is also one important pillar of social market economy (art. 152 TFEU) that has proved to be a valuable asset in the recent crisis: it is no mere coincidence that the best performing member states in terms of economic growth and job creation, such as Germany and Sweden, enjoy strong and institutionalized social dialogue between businesses and trade unions (Andor, 2011).

In order to be relevant to society, European research should engage with this institutional context and should work to reach the highly progressive goals set out by the Lisbon Treaty. Science cannot decide which goals must be reached, yet it can help find the means to reach them. Ideals are defined by politics and come first, actions must follow accordingly. Therefore, it is also responsibility of academics not to let such founding values of the EU become empty phrases.

⁵ TFEU is the acronym for “Treaty on the Functioning of the European Union”.

6. Making research matter again

As the prior section makes clear, this paper calls for a strong view of economic research that recognizes the strong interdependence between research and society.

Cooper and Sherer (1984) suggest research should be normative, descriptive and critical. Being normative means that scholars make their value judgements explicit; being descriptive means that they describe and interpret the practice of economics in action, that is in the context of the social and political structures and cultural values of the society in which they are historically located; being critical implies that they recognize the politically and socially contested nature of economic practices.

By setting social market economy as a founding principle of the EU, the Lisbon Treaty shows that there is more than one way of doing business. Moreover, recent events have raised several doubts about unregulated free stock market capitalism being necessarily the best way to run economy. The worldwide recession caused by the financial market crisis and excessive credit expansion has shown the fragility of stock market-based capitalism as an economic and political process, highlighting the need for alternative ways of doing business. Moreover, some economic policies may suit stock market-oriented economies and, more generally, the Anglo-Saxon variety of capitalism, while potentially exerting disruptive effects on the Rhenish variety of capitalism.

The adoption of International Financial Reporting Standards (IFRS) in the European Union is anecdotal with this respect. Fair value reporting is the main valuation criterion for assets under IFRS and represents the main difference with the accounting principles that were previously used in the EU. There is wide consensus that fair value reporting has played a key role in the financial crisis by increasing procyclicality and the contagion effects in the financial system (e.g. Allen and Carletti, 2008; Banque de France, 2008; Benston, 2008; Bowen et al., 2010; Boyer, 2007; Financial Stability Board, 2011; International Monetary Fund, 2009; Khan, 2009; McSweeney, 2009; Ronen, 2012). Since banks play a crucial role in the economy, especially in the Continental EU, financial distress in the banking system has had significant consequences on real economy and employment. Dell'Ariccia et al. (2008) actually provide evidence of a correlation between bank distress, decline in credit, GDP decrease and unemployment. Furthermore, public debt of many States soared as a consequence of banks' bailouts and, in order to keep it under control, public spending and social welfare were cut. As a result, a great variety of constituencies have been affected by financial distress in the banking system: not only market actors, such as investors, bankers and auditors, but also simple citizens, employees, and States.

Proudhon (1846) used to say that "*the accountant is the true economist*" to underline that financial reporting is a calculative practice that shapes the socio-economic environment and redistributes wealth among social parties (Palea, 2015; Sikka, 2009). Since financial information serves as a basis for determining a number of rights, mandating use of one financial reporting system inevitably helps to sustain the power of one set of interests over others in society. Nonetheless, despite several warning signs, the effects of fair value reporting on the EU society has never been discussed in a proper way. Actually, research in elite journals has been going on the same narrow trajectory of considering fair value reporting just in terms of its effects on stock markets, that is, in terms of value-relevance to investors or reduction in firm cost of capital.

No paper in mainstream research has ever addressed the fact that fair value reporting reinforces short-termism typical of capital markets. Fair value reporting discourages long-term industrial strategies, which have been - and are still expected to be - key for developing and maintaining the competitive advantage of the Continental EU (e.g. Börsch, 2004; Jürgens et al., 2000; Nölke and Perry, 2007; Widmer, 2011). A few critical studies have shown, instead, that short-termism is likely to alter the relationships between managers, financiers and wage earners and, in the end, to threaten the socio-economic environment typical of the Rhenish variety of capitalism. Van der Zwan (2014), for instance, reports evidence of an unequivocal impact of shareholder value policies on industrial relations, which is quite a big issue in those countries where companies have developed on the basis of consensual corporate governance arrangements. Such policies are deemed to have made shareholders and managers rich to the detriment of workers, thereby leading to a decline in working conditions and a rise in social inequality (Fligstein and Shin, 2004; Lazonick and O'Sullivan, 2000; Lin and Tomaskovic-Devey, 2013; Van der Zwan, 2014). Therefore, mandating fair value reporting, designed to accommodate the needs of liberal stock market economies, is not neutral with respect to alternative forms of capitalism and actually risks doing harm to such varieties.

Along the same lines of the Lisbon Treaty, the European institutions have recently launched a number of initiatives for guaranteeing long-term financing to the economy. According to the EU Parliament and the Council of the EU, "*long-term finance is a crucial enabling tool for putting the European economy on a path of smart, sustainable and inclusive growth, in accordance with the Europe 2020 strategy, high employment, and competitiveness for building tomorrow's economy in a way that is less prone to systemic risks and is more resilient*" (European Regulation 2015/760).

The Green Paper on Capital Market Union recently published by the European Commission has, among its objectives, that of improving access to financing for all businesses across Europe and investment projects, in particular start-ups, small and medium enterprises (SMEs) and long-term projects (European Commission, 2015). Furthermore, a new regulation on European long term investment funds (ELTIFs) has just been issued with the purpose of providing financing of lasting duration to various infrastructure projects, unlisted companies, or listed small and medium-sized enterprises: *“By providing finance to such projects, ELTIFs contribute to the financing of the Union's real economy and the implementation of its policies”* (Regulation 2015/760). The EU's attitude is toward long-term policies, which is consistent with a social market economy view of society, less prone to financial crises, more resilient and less exposed to social inequalities. Short-termism, therefore, seems to be banned from the EU's conception of society.

Accordingly, research agendas should be large enough to consider different forms of capitalism and to let different views of society compete on a level playing field. The optimal design of research should depend on the institutional characteristics of the political and economic systems and on the objectives relevant to society. This view emphasizes the social value of research, which is opposite to the conventional way of doing research. Mainstream research has so far been focusing on the interest of shareholders and capital markets, which are core to stock market-based capitalism, while ignoring the interest of other groups in society. Research focusing on the very narrow interests of shareholders and the financial class is, however, irrelevant to the advancement of European Union society.

It is at time of great uncertainty and change that the advantages of variety can be appreciated. Academic research should therefore do more in order to tackle issues that are relevant to the objectives of European Union society. Since most of the economic competences are upon the European Union, economic issues should be examined within the constitutional framework of the European Union. Accordingly, research should emphasize the institutional features of society and discuss topics within the framework of “the public interest”. For instance, economic policies in the European Union should be discussed in terms of wider parameters including capital formation of employees or environmental sustainability as more appropriate social welfare proxies.

Of course, such exercises suggest that economists may need to work closely with other social scientists, including sociologists, political experts and other economists. On the contrary, academic research has so far been very specific, and this is mainly due to the very rigid journal ranking system that does not allow contamination among different sciences.

7. Policy recommendations and conclusions

As mentioned above, the failure of financial academic research to adopt a broader view that considers social welfare is strictly linked to the rules currently governing the university system. Over recent decades, journal ranking lists have been adopted as a fundamental means to define career promotion, but top level journals are those from U.S. elite universities, which are strongly characterized by quantitative research accommodated to the needs of liberal stock market economies.

Gendron (2015) wonders what kind of attitude we should have toward the contradictory influences that journal rankings have on academia. To limit the constraining power of journal rankings, he proposes to put them under the watch of a collective gaze, which establishes some community-wide “center of vigilance”. Adler and Harzing (2009) suggest a temporary moratorium on rankings until more valid and reliable ways to assess scholarly contributions are developed. Hopwood (2008) is rather pessimistic and maintains that there are no significant counter-pressures that are readily available to possible opposition and coping strategies. The underlying forces that resulted in journal ranking emergence remain as active as ever, and rankings have most likely increased in intensity. Wilkinson and Durden (2015) point out that U.S. researchers remain blissfully unaware of the debate on research stagnation and the research documenting the problem. This is because the debate has occurred primarily outside the most prominent journals, and the most prominent researchers have most likely never even read them. Callen (2015) also expresses some pessimism on the possibility that the status quo may change by showing how researchers are overly complacent with the positivistic approach, refusing to falsify its dubious proxy constructs and models.

So, is there any hope to make things really change? Is there any chances of bringing research back on the track of producing more innovative and useful research for the advancement of European society?

Given the dominance and intolerance of the mainstream approach, obtaining journal space for this alternative approach to research is quite difficult. Due to the extremely rigid journal ranking lists, scholars do not have any incentives to tackle these

issues, which requires a normative, critical, multi-disciplinary and long-term approach to research. They rather tend to homogenize onto the mainstream research in order to get published as soon as possible and obtain tenure or career progression. As a result, the absence of dissent is still there and the persistent malaise in research continues to resist remedy (Young, 2009).

Looking to recent volumes of top ranked academic journals, one can realize how, despite the broadly shared sense of a troubling shortage on novel ideas and effective contributions, research continues on the same trajectory, and new alternative ideas and schools are far from emerging. Wilkson and Durden (2015) argue that one must conclude one or more of three things: researchers really do not believe it is a problem; researchers agree that it is a problem, but do not know how to fix it; or that those with sufficient power to change things are unwilling to do so. Probably, there exists a combination of all the three things.

A key role is played by what Alveesson and Sandberg (2012) refer to as “functional stupidity”, which implies the absence of reflexivity, a myopic way of using intellectual capacities, and a marginalization of doubts that provide a degree of certainty for individuals and organizations. Sadly, some sort of myopic attitude also exists in academia, which is quite discouraging, as academics should be at the civil, cultural and intellectual forefront of society. However, this marginalization of doubts is functional to a power struggle as to who controls the scarce resources available. There is a part of the academia who has strived to enter the elite and now, that it is part of it, does not want things to change.

As is clear, there are some good reasons to maintain that changes are not likely to stem from academia, with a bottom-up approach. Nonetheless, some important changes are necessary to bring academia back on the track of producing more innovative research able to cope with the European Union’s challenges. Since economic regulation is one of the competences of the EU, the role of the European institutions is therefore key in order to make things change.

To be critical, research needs to be free from any constraint. Being free requires breaking the chains tightening European researchers to the censorship of a few editorial boards of U.S. journals. To be really independent, research should be financed by the State and published by publically funded institutions.

As mentioned above, it is unlikely that changes will come from some kind of academic revolt. Nevertheless, the initiative to make things change could directly be taken by the European Union with a top-down approach. European institutions could

play an important role in rectifying most of the above outlined problems, supporting a new scholarly research mode relevant to European society. This is also consistent with the idea that institutions must intervene whenever the market does not work properly.

One effective step in this direction could be that EU institutions finance and launch an independent open access web portal managed by a large network of European universities. This portal should be devoted to the dissemination of research dealing with the societal challenges that the European Union is facing, and that are defined by the Horizon 2020⁶ program as well. It should be a place where all the scholars, even those not succeeding in getting Horizon 2020 funds, could make their contributions on the great issues at stake for European society.

Since everybody could make their own contributions, European research would be free and democratic. Researchers could publish their work without the need to go through the reviewers' comments and censorship of the U.S. elite journals. This would contribute to stimulating more innovative and influential research and to creating a European elite of researchers that could challenge the U.S. elite in economics research with a variety of research programs. This initiative would contribute to fostering pluralism and variety in research, which are necessary to advancement in society. It is at times of great uncertainty and changes, such as the ones in which we are living, that advantages of variety in research can be appreciated.

There would be space for research of any length, room for more in-depth analysis and for any research methodology different from statistics and mathematical modelling. Rankings provided by ISI Web of Science or Scopus tend to ignore books and book chapters, thus discouraging scholars from a more in-depth analysis of topics. In contrast to this trend, some of the most important contributions to literature have instead been advanced through non-journal outlets (Griffith et al., 2008). The very recent influential books by Piketty (2014) and Mazzucato (2014) are paramount in this respect. Piketty offers a very in-depth analysis of inequality in society, while Mazzucato analyses State intervention in economy. Both these issues, which are key to the development of European society, could have never been squeezed into a limited-length article.

⁶ Horizon 2020 is a funding programme created by the European Union/European Commission to support and foster research in the European Union with the goal of creating smart, sustainable and inclusive growth and jobs (ec.europa.eu/programmes/horizon2020/). As a means to drive economic growth and create jobs, Horizon 2020 has the political backing of Europe's leaders and the Members of the European Parliament. The estimated budget is 80 billions Euros.

There would also be space for languages other than English, thus challenging the idea that “if it is not English, it does not really exist”. Overall, research could be more interdisciplinary and could use a broader set of theories and vocabularies, with more emphasis on critical interpretations and more freedom in counteracting consensus. Rigor in terms of logical consistency and thoroughness is of course important, but its assessment would be left to the scholars reading the paper rather than to a close set of editors. As a consequence, more frame-breaking research could be done, and more normative papers could be written without the fear of being rejected.

Even if, consistent with Gendron (2015), one makes the realistic assumption that rankings will go on constituting an inescapable “rule of the game” for a “public display” of researchers’ productivity, considering citation counts from this database as a measure of research performance and innovativeness would take power away from ranking lists produced by private corporations, bringing it back to academics. This initiative would give freedom back to European scholars, emphasizing a shift in research identity from “*cultivating an incremental gap-spotting identity to a reflexive and path – (up) setting scholar*” (Alvesson and Sandberg, 2013, p. 146).

To make this shift effective, European institutions should launch a new Bologna process to call European national governments to change their criteria for assessing academic research performance by relying more on this open access database rather than on journal rankings lists provided by private U.S. corporations. These changes at the level of national governments would then influence what is done within universities and schools, including hiring, tenure and career promotions. They would contribute to creating a new scholar identity, which is less cautious, instrumental and disciplined, yet more critical, broad-minded, independent, imaginative, and willing to take on risk of intellectual adventures. This dynamic process among individuals with different backgrounds would encourage a variety of scientific research, overcoming the stagnation of research so long complained about by academicians. In this way, researchers could be challenged to produce better and more accountable research for society.

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Appendix. A-ranking financial reporting journals according to Scopus and ISI Web of Science (as of May 2015)

JOURNALS	RANKING BY SCOPUS	RANKING BY ISI WEB OF SCIENCE	EDITORS	UNIVERSITIES
Journal of Accounting and Economics	1	1		
			J. Core	Sloan School of Management, Massachusetts Institute of Technology, Cambridge, Massachusetts
			W.R. Guay	The Wharton School, University of Pennsylvania, Philadelphia, Pennsylvania
			M. Hanlon	Sloan School of Management, Massachusetts Institute of Technology, Cambridge, Massachusetts
			R.W. Holthausen	The Wharton School, University of Pennsylvania, Philadelphia, Pennsylvania
			S.P. Kothari	Sloan School of Management, Massachusetts Institute of Technology, Cambridge, Massachusetts
			J. Wu	William E. Simon School of Business, University of Rochester, Rochester, New York
Journal of Accounting Research	2	2		
			Philip G. Berger	University of Chicago Booth School of Business
			Christian Leuz	University of Chicago Booth School of Business
			Douglas J. Skinner	University of Chicago Booth School of Business
The Accounting Review	3	3		
			Mark L. DeFond	University of Southern California
Contemporary Accounting Research	4	5		
			Christopher Agoglia	University of Massachusetts Amherst, USA
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